

Canadian Cottons

LIMITED

Twenty-seventh
ANNUAL REPORT
for Year Ended
March 31st
1937

PURVIS HALL
LIBRARIES

DEC 21 1945

MCGILL UNIVERSITY

CANADIAN COTTONS, LIMITED

HEAD OFFICE:

760 Victoria Square, Montreal

Operating

ONTARIO MILL, HAMILTON, ONT.

STORMONT MILL, CORNWALL, ONT.

DUNDAS MILL, CORNWALL, ONT.

CANADA MILL, CORNWALL, ONT.

ST. CROIX MILL, MILLTOWN, N.B.

GIBSON MILL, MARYSVILLE, N.B.

Subsidiary

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED
SAINT JOHN, N.B.

OFFICERS

A. O. DAWSON, LL.D.	<i>President and Man. Director</i>
GEORGE CAVERHILL	<i>Vice-President</i>
R. G. TOLMIE	<i>General Manager</i>
HUGH M. WATSON, A.C.I.S.	<i>Secretary</i>
K. L. HAMILTON	<i>Treasurer</i>

DIRECTORS

SIR H. MONTAGU ALLAN, C.V.O.	Montreal
GEORGE CAVERHILL - - - -	Montreal
A. O. DAWSON, LL.D. - - - -	Montreal
F. E. MEREDITH, K.C., LL.D. -	Montreal
W. J. MORRICE - - - - -	Montreal
R. G. TOLMIE - - - - -	Montreal
W. A. BLACK - - - - -	Jersey, Channel Islands

STOCK TRANSFER AGENTS... The Royal Trust Co., Montreal
BANKERS AND REGISTRAR... The Bank of Montreal, "
STOCK LISTED..... The Montreal Stock Exchange

TWENTY-SEVENTH ANNUAL REPORT OF THE DIRECTORS OF CANADIAN COTTONS, LIMITED, TO BE PRESENTED TO THE SHAREHOLDERS AT THE ANNUAL MEETING OF THE COMPANY, TO BE HELD AT MONTREAL, ON FRIDAY, MAY 21ST, 1937, AT 12.15 P.M.

To the Shareholders:—

Your Directors have pleasure in submitting the Twenty-seventh Annual Report of your Company, together with Balance Sheet as at March 31st, 1937, and Profit & Loss Account for the twelve months' period ended on that date.

The production of your Mills has been well maintained during the year and more particularly during the last six months thereof. While the margin of profit on the goods produced has been very small, yet, as the volume of sales has been larger than for a number of years, your Company is able to present a Financial Statement which we trust will be satisfactory to the Shareholders.

The Net Profit for the year, including interest on investments, amounted to \$360,137.33, as compared with \$222,814.16 for the previous year.

The Preferred Shareholders of the Company received their usual dividend of 6%, amounting to \$219,690.00, and \$108,620.00 was distributed among the Common Shareholders, being at the rate of 4% per annum on their holdings. After the payment of these dividends an amount of \$31,827.33 is left to be added to Profit & Loss Account as compared with a net loss of \$105,495.84 shown at March 31st, 1936.

At the last Session of Parliament, which prorogued April 10th, 1937, the Government made a further cut in the Tariff on Cotton goods imported into Canada from the United Kingdom, reducing the protection of your Mills as against English competition to the lowest figures that have prevailed at any time in the last fifty-eight years. Present duties on such goods range from 12½% to 18%. Also, as English Cotton goods come into Canada free of Excise Tax while Textile Mills operating in this country have to pay an Excise Tax of 3% on their raw material, Canadian Mills are actually protected only to the extent of, say, 11½% to 16½% against the product of the English Cotton Mills. These duties are about 3½% less than the duties collected on Cotton piece goods going into England from non-Empire countries. Even the country that was for nearly a hundred years known as "Free Trade England" finally found it necessary to protect its industries against foreign competition. As wages in the Cotton Mills of Canada are more than 60% higher than the wages being paid by the Cotton Industry in the United Kingdom, it can be seen that if the Mills of that country require a tariff protection of 20%, Canadian Mills must surely be granted somewhat higher rates than at present if this Industry hopes to maintain its important place in the industrial life of our country.

It is evident that the present Tariff on Cotton goods will be quite inadequate when the time comes again, as it surely will, that the mills of England will be once more eagerly seeking orders to keep their plants in operation. It would seem, therefore, to be wise on the part of the Company to strengthen its position in so far as it is possible so to do, to face this situation when it arrives, and at the same time to meet in a more effective way the competition coming from other Countries where the standard of living is so much below that of Canada.

To meet the ever increasing demands of the trade for a larger and more diversified line of Cotton fabrics, further warehouse space and additional machinery has had to be provided. The cost of these extensions and improvements made during the year totalled the sum of \$441,294.13, and further extensions of a like nature will have to be provided during the year 1937.

Your Directors are earnestly hoping that our Government will shortly put restrictions upon the importation of Japanese Rayons, such goods having come into Canada during the last year in ever increasing quantities and at prices that are quite impossible for Canadian manufacturers to meet. This condition of things has necessitated the shutting down of a number of looms at the St. Croix Mill that would otherwise be in operation. Unfortunately this Mill, due to lack of production and the keenest kind of competition, is still being operated at a loss, and the future outlook for that particular unit of your Company's Organization is far from encouraging.

The work of the Royal Commission on the Textile Industry, which continued during practically the whole of our fiscal year, occupied much of the time of your Executive in the preparation of the information called for by the Commission and entailed considerable cost to the Company. Exception was taken by Commission Counsel to the methods followed by this Company for the past twenty-seven years in valuating its inventory and preparing the Annual Statements. It is pleasing to your Directors that only favourable criticism has been received from Shareholders and many others as to the conservative policy carried out by your Executive, and one which they feel has been in the best interests of Employees and Shareholders alike. Your Directors do not therefore recommend any departure from the Company's policy of conservative valuation, and at the coming Annual Meeting a resolution approving of this policy will be submitted for your consideration.

We think it well to call the attention of our Shareholders to the fact that their business is being done on a very small margin of profit. For instance, in the year now under review the consumers of the products of your Mills contributed only $2\frac{1}{2}\%$ over and above cost on the goods that they purchased from your Company. This means that the Company was able to pay its Preferred and Common Dividends, and carry a small amount to Profit & Loss Account by asking the consumer but $2\frac{1}{2}\%$ on the goods made by its Mills.

We believe that the time has come when wider publicity should be given to the fact that goods made by the Cotton Mills of Canada are distributed to the trade in a most economical way, and at prices within the reach of all our people. An expenditure of say \$40.00 per family annually on cotton goods made by your Company would mean a payment of but \$1.00 for an entire year to those who put their money into the enterprise, and who are held responsible for its efficient management.

In the year 1933, because of adverse business conditions, all wages and salaries were reduced by 10%. However, this cut continued operative for only one year, when an increase of 5% was put into effect, and in December, 1936, a further 6% was added to the pay-rolls, thus fully restoring the highest wage list that has been in existence before or since the Great War. Because of a recent improvement in the volume of orders booked, which will naturally be reflected in the Company's earnings, it has been decided to make a further increase of 6% in the wages paid to operatives, which increase will be maintained so long as conditions make it possible to do so.

The Shareholders of the Company will doubtless want their Directors to give an expression of opinion regarding the outlook for the Company's business year 1937-38. If Cotton Mills in the United Kingdom continue as busy as they are at the present time they will in all probability be more ready to maintain prices than has been the case in recent years. It has long been the belief of your Directors that the prosperity of the English Textile Industry would do more than anything else to bring prosperity to the Textile Industry of Canada, seeing that duties would be collected on prices showing a profit rather than a loss, which we fear has been all too common during the years of the depression. Because English cotton goods are at the present time being sold at a profit, your Directors believe that the year 1937-38 will also be a profitable one for your Company.

Your Directors wish to again acknowledge with appreciation the loyal and efficient service of the officials, staff and employees of the Company.

It is with deepest regret that we have to report the death of Mr. C. W. Baker, the Company's Auditor, which occurred in September, 1936, after an illness of several months. Mr. Baker was a man of outstanding ability and he was untiring in his service to the Company. Your Officials who came in almost daily contact with him will long remember his kindly spirit and his unswerving devotion to the highest standards of business honour and integrity. Messrs. Ritchie, Brown & Company, of Montreal, who have been devoting much time to the preparation of material presented by your Company before the Royal Commission on the Textile Industry, have been nominated as Mr. Baker's successor, and the Shareholders will be asked at this Annual Meeting to appoint Auditors to fill the vacancy caused by Mr. Baker's death.

The Books and Accounts of the Company have been duly audited and the Auditor's Report is submitted herewith.

Submitted on behalf of the Directors.

A. O. DAWSON,
President.

CANADIAN CO

BALANCE

YEAR ENDED

ASSETS

CURRENT ASSETS

Cash on Hand and in Bank.	\$260,393.01	
Open Accounts and Bills Receivable (Less Bad Debts Reserve).....	1,164,661.83	\$1,425,054.84

INVENTORY of Raw Cotton—Manufactured Stock and Supplies—Valued in each case at Cost or under and not above present Market Value.....	1,695,008.57	
--	--------------	--

INVESTMENTS — Dominion Government and Corporation Bonds and Shares at Cost (Market Value, \$3,204,878.00).....	3,046,244.96	
--	--------------	--

<u>TOTAL CURRENT ASSETS</u>	\$6,166,308.37	
-----------------------------------	----------------	--

Shares in Subsidiary Companies.....	3.00	
Prepaid and Deferred Charges—Insurance, Taxes, etc.....	58,691.31	

CAPITAL ASSETS

Mills, Plants and Properties		
—At Cost.....	\$17,324,845.58	
Less: Depreciation Reserve.....	7,930,938.98	
	9,393,906.60	

\$15,618,909.28

Montreal, April 22nd, 1937.

Audited and verified as per Certificate attached:

BAKER, BIRNIE & CO.

Chartered Accountants.

TONS, LIMITED

SHEET

CH 31ST, 1937

LIABILITIES

CURRENT LIABILITIES

Open Accounts and Bills Payable.....	\$1,176,819.75
Reserve for Government Taxes.....	115,644.11
Owing to Subsidiary Companies.....	87,759.73

TOTAL CURRENT LIABILITIES.... \$1,380,223.59

RESERVES

Obsolescence.....	\$5,050,000.00	
Replacements.....	600,000.00	
Contingencies.....	200,174.06	
		5,850,174.06

CAPITAL STOCK

6% Preferred:		
Authorized \$4,500,000.00		
Issued.....	\$3,661,500.00	
Common:		
Authorized \$3,500,000.00		
Issued.....	2,715,500.00	
		6,377,000.00

EARNED SURPLUS..... 2,011,511.63

\$15,618,909.28

APPROVED:

A. O. DAWSON }
G. CAVERHILL } *Directors.*

HUGH M. WATSON,
Secretary.

CANADIAN COTTONS, LIMITED

MANUFACTURING AND PROFIT AND LOSS STATEMENT

FOR YEAR ENDED MARCH 31ST, 1937

Operating Profit (after providing for items A, B, C, D, as below noted).....	\$404,532.42
ADD: Income from Investments.....	110,604.91
	<u>515,137.33</u>
DEDUCT:	
Provision for Dominion In- come Tax.....	\$100,000.00
Provision for Provincial and other Taxes.....	15,000.00
Provision for Legal Ex- penses.....	10,000.00
Contribution to Pension Fund.....	30,000.00
	<u>155,000.00</u>
Net Profit.....	<u>\$360,137.33</u>
DEDUCT: Dividends:	
Preferred.....	\$219,690.00
Common.....	108,620.00
	<u>328,310.00</u>
Profit transferred to Surplus.....	31,827.33
Balance—March 31st, 1936.....	1,979,684.30
	<u>2,011,511.63</u>
Earned Surplus, March 31st, 1937.....	<u><u>\$2,011,511.63</u></u>

A. Depreciation and Obsolescence	\$900,000.00
B. Executive Salaries.....	52,485.00
C. Directors' Fees.....	7,950.00
D. Legal Expenses.....	6,920.49

TO THE SHAREHOLDERS,

CANADIAN COTTONS, LIMITED.

We have examined the Books and Accounts of Canadian Cottons, Limited, for the year ended March 31st, 1937. We have verified the Cash in Bank and the Investment Securities and the Revenue therefrom.

We have obtained all the information and explanations required, and in our opinion, the attached Statements and Balance Sheet, based upon the certified inventories presented, are properly drawn up so as to exhibit a true and correct view of the year's operations and of the state of the Company's affairs at its close, according to the best of our information and the explanations given to us and as shown by the books of the Company.

BAKER, BIRNIE & CO.

Chartered Accountants.

Montreal, April 22nd, 1937.

CANADIAN COTTONS, LIMITED

Manufacture

DENIMS	COTTON TWEEDS
COTTONADES	COTTON SUITINGS
CASSIMERES	PANTINGS
COVERTS	BEDFORD CORDS
AUTOMOBILE FABRICS	WHIPCORDS

MATTRESS TICKINGS
AWNING FABRICS

SHIRTINGS	APRON GINGHAMS
GALATEAS	NOVELTY DRESS FABRICS
DRESS GINGHAMS	NURSES CLOTHS
CHAMBRAYS	RIPPLETTES

ARTIFICIAL SILK FABRICS FOR DRESSES, LININGS AND
LINGERIE

FLANNELS	COLOURED FLANNELETTES
BLEACHED FLANNELETTES	MOTTLED INTERLININGS
NAPPED SHAKERS	SILENCE CLOTHS
TIE LININGS	EIDERDOWNS AND
NAPPED SHEETINGS	ROBE CLOTHS

COTTON BLANKETS

YARNS—UNBLEACHED, BLEACHED AND COLOURED
HOSIERY YARNS, WARP YARNS
SPUN RAYON AND WOOL BLEND YARNS

